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St Kitts and Nevis

Retail Food Sector

Country Report

2006

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Report Highlights:

This report is intended to aid U.S. exporters of food and beverage products in profitably entering the retail food market in St. Kitts and Nevis. This report summarizes important market developments, presents a road map for market entry, provides sub-sector profiles, describes the overall competitive situation facing U.S. suppliers, and highlights the best product prospects for this country's retail food market.

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SECTION I. MARKET SUMMARY

The twin island nation of St. Kitts and Nevis is located in the northern part of the Leeward Islands in the eastern Caribbean. St. Kitts and Nevis has a total area of 101 square miles, approximately 1.5 times the size of Washington D.C., and a population of 39,129 (2006 est.). A 2-mile wide channel separates the two volcanic islands.

The economy of St. Kitts and Nevis traditionally depended on the growing and processing of sugarcane. Beginning in the late 1980s, however, tourism surpassed sugar as the main foreign exchange earner. Today, St. Kitts and Nevis is characterized by a service-oriented economy. Tourism is the backbone of the local economy, accounting for approximately sixty percent of foreign exchange earnings. The economy of St. Kitts and Nevis also relies on the offshore financial services sector and to a lesser extent on the export-oriented manufacturing sector (which consists primarily of light manufactures, such as garments, and the assembly of electronic components).



Source: CIA World Factbook

It is important to note that St. Kitts and Nevis was the last sugar monoculture in the eastern Caribbean until the industry was closed in 2005 as it was plagued by a myriad of problems. While the major challenge currently facing the Government of St. Kitts and Nevis is the re-allocation of thousands of acres of sugar lands, there is talk about using some of these lands to diversify and revamp the local agricultural sector in an effort to facilitate economic growth.

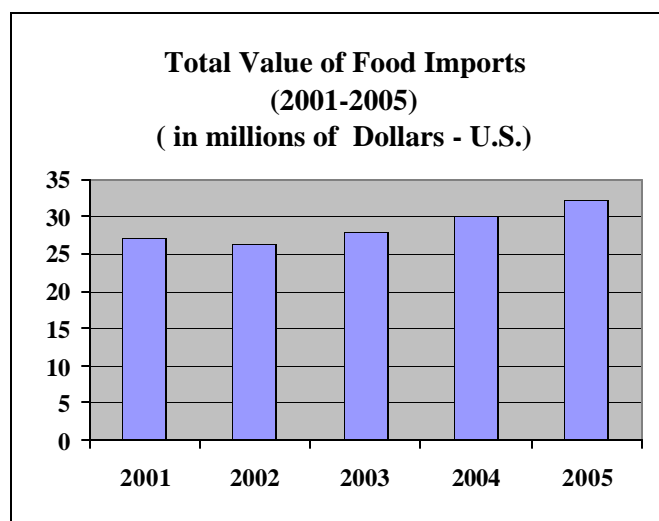
St. Kitts and Nevis experienced strong economic growth during the early- to mid-1990s, with a real GDP growth rate of 5.5 percent annually. However, a series of hurricanes in the late 1990s, as well as the September 11, 2001 terrorist attacks, hurt the tourism-dependent economy. Economic growth picked up in 2004 with a real gross domestic product (GDP) growth rate of 5.1 percent, after a slow .8 percent real GDP growth rate in 2002. The GDP for St. Kitts and Nevis is valued at US\$403.9 million, with an average per capita income of US\$8,600 (2004 estimates).

Profile of St. Kitts and Nevis	
Total Land Area	101 Square Miles
Total Population	39,129 People
Gross Domestic Product (GDP)	US\$403.9
GDP Per Capita	US\$8,600
Real GDP Growth Rate	5.1 percent

Source: CIA World Factbook and U.S. State Department Country Background Notes

Due to an inconsistent and insufficient supply of local agricultural products and processed foods, St. Kitts and Nevis relies on the importation of the majority of its foodstuffs. According to the St. Kitts and Nevis Statistics Division, total food imports in 2005 were valued at US\$32.2 million, a 7 percent increase from 2004. Approximately 70 percent of the

country's total imported food products are directed towards the retail sector while the remaining 30 percent is channeled toward the food service sector.



Source: St. Kitts and Nevis Statistics Division

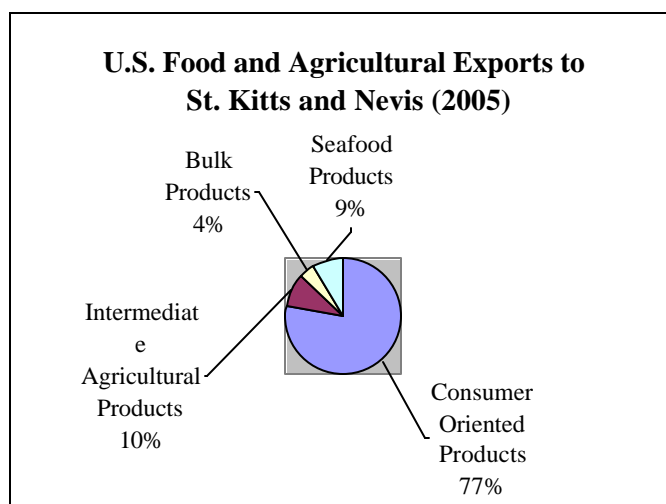
The retail food sector in St. Kitts and Nevis can be categorized into three groupings as follows: supermarkets, smaller supermarkets or mini-marts, and so-called 'counter shops.' There are approximately 385 retail shops in St. Kitts and Nevis, with counter shops representing the majority of this figure. There are over 30 businesses listed as supermarkets, 9 of which are classified as large supermarkets. The majority of the population does their main shopping at the larger supermarkets at least once every two weeks, while shopping at the smaller supermarkets, mini-marts, and counter shops when they run out of a product during the week.

With the exception of the expatriate, foreign student, and tourist population, the overall retail food market in St. Kitts and Nevis tends to be price-oriented rather than brand-oriented. The larger supermarkets report that approximately 65 percent of their sales are to locals, while the remaining 35 percent are to expatriates, foreign students, and tourists. It is important to note that there are a total of eight registered offshore higher education institutions in St. Kitts and Nevis, as well as numerous offshore financial centers.

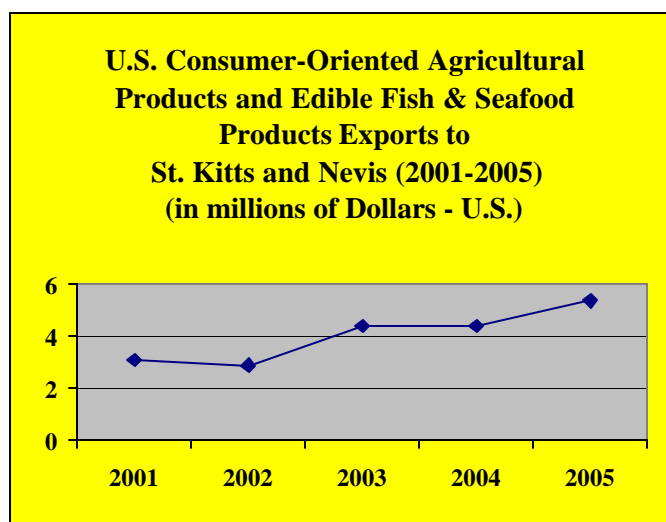
The retail outlets in St. Kitts and Nevis tend to match consumer preferences, lifestyle, and financial ability. New product trends include chilled, frozen, consumer-ready meals, snack foods, and to some degree nutritional products, such as sugar-free and fat-free foods. A couple of the larger supermarkets have in-house bakeries and delis in their establishments, and most retail outlets have entire rows or sections to display wine and liquor products. A couple of the larger supermarkets also participate in "shop and save" programs in which customers gain points/rewards for the amount of their purchases.

According to 2003 statistical data compiled by the United Nations (UN), the United States is the country's main trading partner in terms of food and agricultural products with an approximate 58 percent market share. Of the total amount of agricultural and food products exported from the United States to St. Kitts and Nevis, consumer-oriented agricultural products comprise roughly 77 percent, intermediate agricultural products comprise roughly 10 percent, seafood products comprise roughly 9 percent, and bulk products comprise 4 percent. U.S. trade statistics illustrate that in 2005 the United States exported approximately US\$4.9 million of consumer-oriented agricultural products and US\$534,000

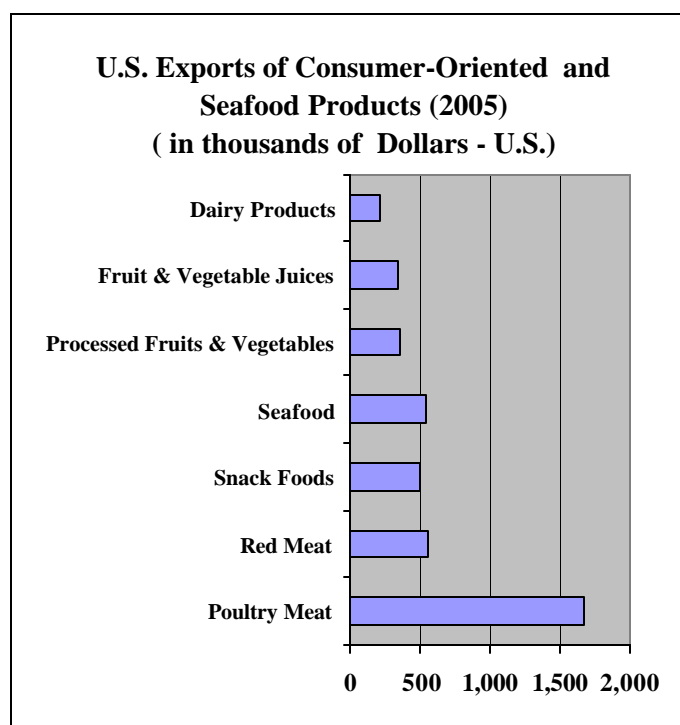
worth of edible fish and seafood products to St. Kitts and Nevis, a 23 percent increase from 2004.



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistic

The following table illustrates the market advantages and challenges facing U.S. exporters:

Advantages	Challenges
As the local agricultural sector suffers from the seasonality of crops, the lack of economies of scale, and damage from hurricanes and tropical storms, St. Kitts and Nevis is very dependent on food imports.	The Government of St. Kitts and Nevis places restrictions on the importation of many vegetables when local production is in season (e.g. tomatoes, sweet peppers, carrots, cabbage, onions, and sweet potatoes).
With the exception of few small to medium-size manufacturers, food processing is virtually non-existent in the twin island nation.	The importation of food products can be quite expensive. In addition to the general import duties imposed by the Government of St. Kitts and Nevis, the Government imposes a Customs Service charge of 6 percent, as well as a Consumption Tax as high as 22.5 - 25 percent on many products.
Geographic proximity, as well as a long-standing reputation of high quality food and beverage products, gives the United States a competitive advantage.	The Caribbean Community and Common Market (CARICOM) trade agreement offers duty-free access to the St. Kitts and Nevis' food market for other Caribbean member nations.
The two-island republic benefits from one of the highest per capita incomes in the eastern Caribbean region (estimated at US\$8,600 in 2004). St. Kitts and Nevis ranks third, only to the British	With a total population of 39,129, import orders tend to be small and favor mixed rather than full container loads.

Virgin Islands and Antigua and Barbuda, in per capita GDP among the member states of the Organization of Eastern Caribbean States (OECS).*	
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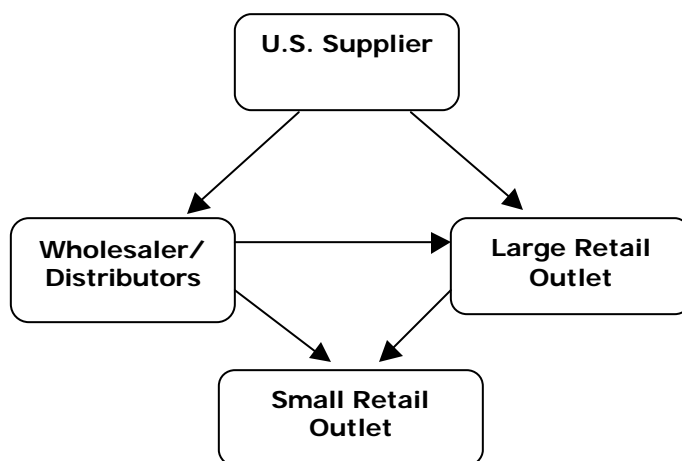
*Note: The OECS is comprised of the following nine countries: Anguilla, Antigua & Barbuda, British Virgin Islands, Dominica, Grenada, Monserrat, St. Kitts & Nevis, St. Lucia, and St. Vincent & The Grenadines.

SECTION II: ROAD MAP FOR MARKET ENTRY

Entry Strategy: Between 90 and 95 percent of all food products destined for the retail sector are imported by local wholesalers/distributors. Therefore, U.S. suppliers interested in entering the St. Kitts and Nevis retail food market should begin by sending product literature and samples of their product to local wholesalers/distributors. Many wholesalers/distributors, as well as retailers, travel to trade shows within the United States such as the Americas Food and Beverage (AFB) Show in Miami, Florida and the Food Marketing Institute (FMI) Show in Chicago, Illinois.

U.S. food products represent the majority of the foreign products imported by the local wholesalers/distributors. Local wholesalers/distributors hold U.S. products in high regard with respect to quality and packaging. Wholesalers/distributors also enjoy trading with U.S. exporters because of the reliability of service.

Market Structure: Local wholesalers typically import, wholesale, and distribute their product, as well as sell their product in their own retail outlets. Distribution from the port, to the warehouse, to the larger retail outlets generally takes place in a very small radius. In addition, the majority of the local wholesalers/distributors have a circulating fleet of 'cash vans' that sell to the smaller supermarkets, mini-marts, and counter shops. The following distribution channel flow diagram illustrates how products are generally passed from the U.S. exporter to the various types of retailers:



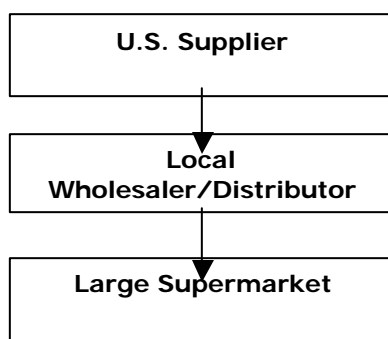
Company Profiles: There are nine registered wholesalers/distributors of food products in St. Kitts and Nevis. The majority of the large wholesalers/distributors focus on dry goods. While many of the large food wholesalers/distributors import fresh and frozen products, the quantity may be small as there are specialized importers within St. Kitts and Nevis, which focus on these products.

Food Wholesalers/Distributors in St. Kitts and Nevis
Ram's Trading Limited
S.L. Horsford and Company Limited
Ocean Cold Storage Limited
Frank B. Armstrong Limited
O.D. Brisbane and Sons Trading Limited (part of the Goddard Enterprises)
Central Marketing Corporation (CEMACO)
David Coury and Company Limited
David Payne and Associates Limited
R & L's Fresh Produce Wholesale Company

A. Supermarkets

Entry Strategy: As the majority of the larger supermarkets in the twin island nation are part of a food wholesale/distribution company, these retail outlets import nearly 100 percent of their product offering. Therefore, U.S. suppliers should contact the wholesale/distributing companies directly.

Market Structure: Wholesalers/distributors that have their own retail outlets carry a wide range of imported products, have significant warehouse space and freezer space, have their own distribution networks, possess in-house brokers, and import directly from manufacturers and consolidators abroad. The following diagram illustrates how products are passed from U.S. suppliers to the large retail food outlets:



Company Profiles: Ram's Trading Limited runs the largest supermarket, which is 15,000 square feet, located on the island of St. Kitts. Ram's also has two other supermarkets, one of 10,000 square feet and another of 4,000 square feet. S.L. Horsford's & Company Limited runs the second largest supermarket, Horsford's Value Mart IGA, in St. Kitts. This retail outlet is 14,000 square feet, and typically caters to expatriates, foreign students, as well as tourists.

The Central Marketing Corporation (CEMACO), a wholesale business owned and operated by the Government of St. Kitts and Nevis, also runs a supermarket on the island of St. Kitts. CEMACO works closely with the local farmers and producers in fostering improved efficiency within the local agri-business sector. While the mission of CEMACO is to market locally produced agricultural products, it is also involved in the importation of a large percentage of U.S. consumer-oriented food products. Imported food products are offered in the CEMACO

supermarket, as well as sold to smaller retail outlets by “cash vans” which make daily sales trips around the island. CEMACO has recently experienced an increase in its offerings of imported products.

Company Profiles of Selected Supermarkets in St. Kitts and Nevis			
Retailer	Number of Outlets	Location	Procurement Channels
Ram's Supermarket	3	St. Kitts (2) Nevis (1)	Direct
Horsford's Valu Mart IGA	1	St. Kitts	Direct
CEMACO	1	St. Kitts	Direct/Local Wholesalers
C & C Superfoods		St. Kitts	Direct
Daniel's Trading Center Ltd.	1	St. Kitts	Direct
Best Buy Supermarket	3	Nevis (2) St. Kitts (1)	Direct
Super Foods Supermarket	1	Nevis	Direct/ Local Wholesalers

B. Smaller Supermarkets and Mini-Marts

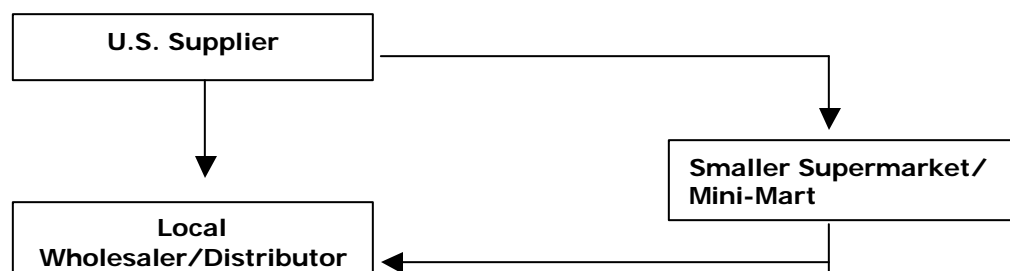
Entry Strategy: Smaller supermarkets and mini-marts are much more plentiful in St. Kitts and Nevis and are usually independently owned. Due to limited storage space, and the lack of buying power, these modest-sized retail outlets buy a large percentage of their imported products from local wholesalers/distributors. Therefore, U.S. companies trying to penetrate this section of the market should begin by introducing their products through a local wholesaler/distributor. Yet, U.S. suppliers should also contact the managers of these retail outlets directly, as many of these outlets import a variety of dry grocery, canned goods, frozen foods, and beverages directly.

Parallel importing (i.e. importing branded products directly from overseas sources, rather than dealing with local suppliers who act as agents for the branded products) is also very common within this retail category. Smaller supermarkets and mini-marts often supplement their product offering by importing branded dry grocery products, canned goods, snack foods, and beverages from Miami-based wholesalers (who also consolidate for the Caribbean importers) or importers/distributors in St. Maarten, Puerto Rico, and St. Thomas, part of the U.S. Virgin Islands. The duty-free status of St. Maarten, and the island's geographic proximity to St. Kitts and Nevis, makes it a prime distribution hub for many food products originating from the United States, Europe, and elsewhere around the world.

In addition to carrying a large percentage of imported products, these stores will usually carry a substantial offering of local agricultural and other food products when local supply is available. The smaller retail outlets tend to have relationships established with local farmers, as well as processors within the local cottage industry.

Market Structure: Smaller retail outlets rely on frequent deliveries of imported food products from local wholesalers/distributors, as well as participate in parallel importing. The

following diagram illustrates how products are passed from U.S. suppliers to the smaller retail food outlets:



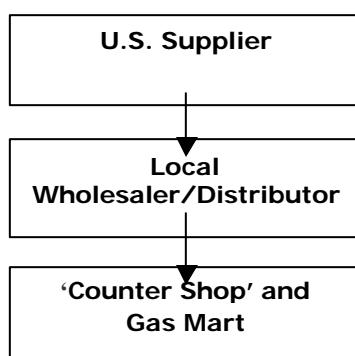
Company Profiles:

Company Profiles of Selected Smaller Supermarkets and Mini-Marts in St. Kitts and Nevis			
Retailer	Number of Outlets	Location	Procurement Channels
Bargain House Retail Outlet	2	Nevis	n/a
Cost Me Less	1	Nevis	n/a
Daniel's Deck	1	Nevis	Local Wholesalers/Direct
Dollar Stretcher Supermarket	1	St. Kitts	Local Wholesalers/Direct
Fraites & Sons Enterprises	1	St. Kitts	n/a
Hendrickson Supermarket	1	St. Kitts	n/a
J's Shop and Save Grocery	1	St. Kitts	Local Wholesalers/Direct
Kassab Bichara Grocery	1	St. Kitts	n/a
Main Street Supermarket	1	Nevis	Local Wholesalers/Direct
Morton's Supermarket	1	St. Kitts	n/a
O.J.'s 24-Hour Mini-Mart	1	St. Kitts	Local Wholesalers/Direct
Shop-Rite Supermarket	1	Nevis	n/a
Thomas & Son Supermarket	1	St. Kitts	n/a

C. 'Counter Shops' and Gas Marts

Entry Strategy: There are also numerous 'counter shops' present in the rural areas and towns of St. Kitts and Nevis. These stores are generally no more than 400 square feet, and are family owned, often operated out of personal homes. Canned goods, dried and salted meats, flour, rice, as well as a modest selection of imported processed and pre-packaged foods are available in these outlets. Additionally, there are approximately 6 gas marts located in St. Kitts and Nevis. Most of the gas marts carry a modest selection of snacks and sodas. Due to limited storage space and the lack of buying power, these retail outlets rely on local wholesalers/distributors for their imported products. Therefore, U.S. companies trying to penetrate this section of the retail market would be best advised to introduce their products through a local wholesaler/distributor.

Market Structure: These retail outlets rely on frequent deliveries of small orders from local wholesalers/distributors and the cash vans that circulate the island of St. Kitts for imported products. The following chart illustrates how products are passed from U.S. suppliers to counter shops and gas marts:

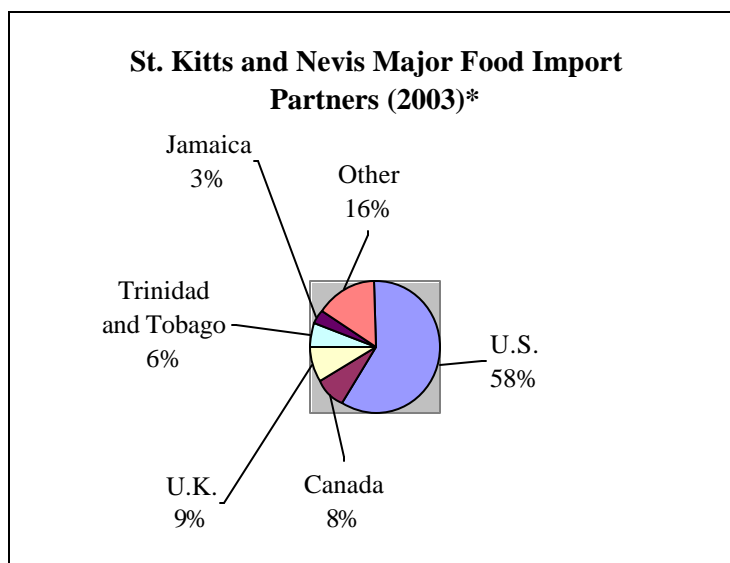


SECTION III: COMPETITION

Market share competition for the exportation of food products to St. Kitts and Nevis is led by the United States, with an estimated 58 percent market share. In general, U.S. prices are competitive with other imported products.

Since products originating from CARICOM member-states enter St. Kitts and Nevis duty-free, many of the local wholesalers/distributors, as well as the small- to medium-size supermarkets, import fresh fruits, ice cream, jams, jellies, sauces, condiments, juices, snack foods, beverages, and fish products from CARICOM countries. Trinidad and Tobago leads the CARICOM countries with food and agricultural exports to St. Kitts and Nevis with an approximate 6 percent share of the total market, followed by Jamaica with a 3 percent market share.

U.S. products also face competition from other foreign suppliers. Given St. Kitts and Nevis' historical ties with the United Kingdom, products and brands from the United Kingdom comprise approximately 9 percent of St. Kitts and Nevis' food market. Generally speaking, the United Kingdom has very competitive prices for pork products, poultry products (specifically chicken wings), and dairy products. Additionally, many of the smaller supermarkets import a significant amount of products directly from Canada since the large local wholesalers/distributors are agents for the majority of U.S. brands. Canadian products, comprising approximately 8 percent of the market, include bakery products, canned goods, cereals, grains, rice, dairy products, condiments, snack foods, juices, and other beverages.



*Note: This is the most complete, current data for St. Kitts and Nevis

Source: FAS/ Global Agricultural Trade System using data from the United Nations Statistical Office.

The United States does not face much competition with regards to local production. Currently, farmers within the twin island nation produce agricultural products such as peanuts, cabbage, cucumbers, pumpkin, okra, broccoli, string beans, sweet peppers, squash, honeydew melon, passion fruit, bananas, coconuts, and mangos. In addition, local fishermen provide the production of lobster, conch and fish, and poultry farmers provide the local production of poultry and eggs. Local farmers and fishermen usually go to the smaller supermarkets each morning to sell their products. The Government of St. Kitts and Nevis places restrictions on the importation of certain agricultural products when local production is in season.

Food processing within St. Kitts and Nevis is very limited. Two food-processing firms, producing margarine, shortening, pasta, and snack foods, are present on the island of St. Kitts, however, the firms have recently downscaled or closed most of their operations. With regards to the existence of other local processing firms in the twin island nation, there is a beverage-processing plant located in St. Kitts, which provides the bottling and canning of soft drinks and beer, two distillers, and a dairy manufacturer producing ice cream and a few other dairy products. Like most other island-nations, a local cottage industry exists in St. Kitts and Nevis, producing jams, jellies, pepper sauces, rum, and bakery products.

The following table illustrates the respective country market shares in various product categories:

Product Category	Import Value 2003*	Major Supply Sources and Rank	Share of Import Market 2003*
Meat Products	US\$4.5 million	1. United States 2. United Kingdom 3. Canada	71% 23% 3%
Fish and Seafood Products	US\$1.5 million	1. United States 2. Canada	56% 26%

		3. Netherlands Antilles	8%
Processed Meat, Fish, and Seafood Products	US\$1.6 million	1. United States 2. Denmark 3. Canada	67% 19% 7%
Dairy Products	US\$2.8 million	1. United States 2. Canada 3. United Kingdom	38% 31% 10%
Fresh Vegetables	US\$2.1 million	1. United States 2. Netherlands 3. Canada	81% 14% 3%
Fresh Fruit and Tree Nuts	US\$1 million	1. United States 2. United Kingdom 3. Dominica	88% 5% 3%
Processed Vegetable, Fruit, and Tree Nut Products	US\$2.3 million	1. United States 2. Canada 3. Trinidad and Tobago	66% 16% 10%
Processed Cereal, Flour, Starch and Milk Products	US\$2.5 million	1. United States 2. Trinidad and Tobago 3. Jamaica	67% 9% 6%
Other Processed Foods	US\$4.3 million	1. United States 2. Trinidad and Tobago 3. United Kingdom	69% 7% 4%
Non-Alcoholic and Alcoholic Beverages	US\$4.5 million	1. United States 2. Trinidad and Tobago 3. St. Lucia	35% 16% 12%
Coffee, Tea, and Spices	US\$240,000	1. United States 2. Trinidad and Tobago 3. Chile	53% 22% 8%
Sugars and Sugar Confectionery	US\$905,000	1. United Kingdom 2. United States 3. Trinidad and Tobago	56% 33% 5%

* Note: This is the most complete, up-to-date data for St. Kitts and Nevis

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

SECTION IV: BEST PRODUCT PROSPECTS**A. Products present in the market, which have good sales potential:**

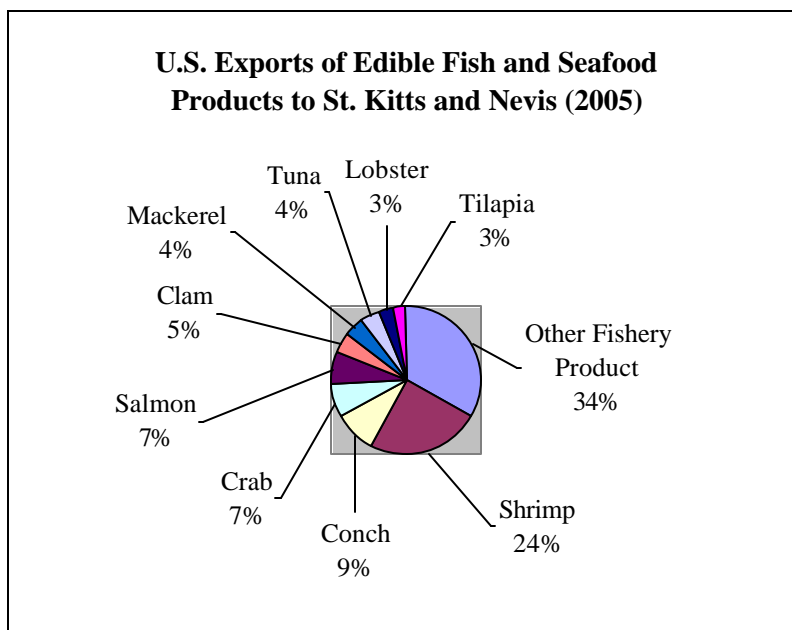
The following table illustrates the best product prospects, and their 2005 export values, for U.S. exporters entering the St. Kitts and Nevis food market:

Product Category	U.S. Export Value 2005
Poultry Meat	US\$1.7 million
Ready Meats*	US\$552,000
Snack Foods	US\$489,000
Seafood	US\$534,000
Processed Fruits and Vegetables	US\$348,000
Fruit and Vegetable Juices	US\$341,000
Dairy Products	US\$214,000
Pork and Bacon	US\$163,000
Pet Foods	US\$125,000
Coffee and Coffee Products	US\$119,000
Wine and Beer	US\$64,000
Edible Tree Nuts	US\$18,000
Fresh Vegetables	US\$17,000
Breakfast Cereals	US\$10,000
Fresh Fruit	US\$6,000

*Note: Export requirements for St. Kitts and Nevis stipulate that all beef products exported from the United States must consist of boneless beef products originating from animals that were less than 30 months old at the time of slaughter.

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

The following figure illustrates the best product prospects, and their 2005 export percentage, for U.S. edible fish and seafood products:



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

B. Products not present in significant quantities but have good sales potential:

- Healthy food products or nutraceuticals (e.g., vitamins, low-fat foods, granola bars)
- Herbal products (e.g. tea)
- Non-Caribbean produce
- Pickled products

C. Products in which their access is restricted by high tariffs:

- Citrus
- Honey
- Rice
- Sugar
- Beer and wine
- Milk with Sweetener
- Flying Fish
- Bottled Water
- Ice Cream

SECTION V. CONTACT INFORMATION

A. For more information on St. Kitts and Nevis and a list of importers for your U.S. product, please contact:

**Caribbean Basin Agricultural Trade Office
Foreign Agricultural Service
United States Department of Agriculture**

909 SE 1st Ave., Suite 720
Miami, FL 33131
Phone: (305) 536-5300
Fax: (305) 536-7577
E-mail: cbato@cbato.net

Omar González, Acting Director
E-mail: omar@cbato.net
Graciella Juelle, Marketing Assistant
E-mail: grace@cbato.net
Kay Logan, Marketing Intern
E-mail: kay@cbato.net

Please visit our website for more reports and information on St. Kitts and Nevis and other Caribbean Islands: <http://www.cbato.fas.usda.gov>

B. Other Sources of Information on St. Kitts and Nevis:

St. Kitts-Nevis Chamber of Industry & Commerce

South Independence Square St.
Basseterre, St. Kitts
Tel: 869-465-3967 / 2980
Fax: 869-465-4490
E-mail: sknchamber@sisterisles.kn
Contact: Wendy Phipps, Executive Director

St. Kitts-Nevis Hotel & Tourism Association

Liverpool Row
Basseterre, St. Kitts
Tel: 869-465-5304
Fax: 869-465-7746
E-mail: stkitnevhata@caribsurf.com
Website: www.stkittsnevishta.org

St. Kitts Tourism Authority

Pelican Mall
Basseterre, St. Kitts
Tel: 869-465-4040 / 2620
Fax: 869-465-8794
E-mail: stkitts@stkittstourism.kn
Contact: Christine Walwyn

Customs and Excise Department

Ministry of Finance
Birdrock, St. Kitts

Tel: 869-466-7227
Fax: 869-465-8519
E-mail: cepe@caribsurf.com
Contact: Mr. Rodney Harris, Assistant Comptroller of Customs

Supply Office (*monitors trade and local production and enforces import restrictions*)

Ministry of Trade and Industry
Birdrock, St. Kitts
Tel: 869-465-2521
Fax: 869-465-1778
Contact: Mr. Fahie

Department of Agriculture

Veterinary Division
Tel: 869 465 2335
Fax: 869 465 5202, 2928
E-mail: skbvet@caribsurf.com
Contact: Tracey Challenger, Chief Veterinary Officer

Department of Agriculture

Plant Health Division
Tel: 869-465-2335
Fax: 869-465-2635
Contact: Dr. Jerome Thomas